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**Capital Partners Securities:**  
*“Your Partner to List & Trade in AIM”*

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# Executive Summary

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## Capital Partners Securities (CPS) has solid foundations

- ✓ Provides services to mid-cap US, European, Asian, African and South American companies that are traditionally underserved by major investment banks.
- ✓ CPS has a pre-eminent team of investment bankers with a wealth of experience in the Telecommunications, Media and Technology (TMT), business & support services, financial services, natural resources and energy sectors.
- ✓ CPS is also part of the Capital Partners Group ([www.CapitalPartners.co.uk](http://www.CapitalPartners.co.uk)) which has Investment Banking and Venture Capital operations in Europe, the US and Asia.
- ✓ Capital Partners Group (CPG) is regulated by the FSA in the UK.

# Why CPS?

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CPS offers a broad portfolio of services for medium-sized companies

- ✓ Nominated Broker (as an Appointed Representative of Midas Investment Management Ltd) role required to do the listing and to act as Nominated Broker in AIM.
- ✓ Integrated Corporate Finance service
- ✓ Strong multi-sector knowledge.
- ✓ A professional team with exceptional transactional experience

# We are developing a Global Network

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◇ = **Offices:** Los Angeles, London, Hong Kong

\* = **Additional Partners:** Frankfurt, Miami, Madrid,

# The Flotation Process

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Is now a good time for you?

## Benefits

- ✓ To use quoted paper to achieve growth:
  - Access to capital for growth and/or acquisitions; and
  - Use of paper as currency for acquisition
- ✓ The ability to provide liquidity for shareholders
- ✓ Broaden shareholder base both with retail and institutional investors
- ✓ The ability to build up brands and industry credibility through increased profile and publicity
- ✓ The ability to incentivise key staff through use of shares and options
- ✓ Opportunity for equity release

## Drawbacks

- ✓ Costs of float
- ✓ Costs of maintaining quotation
- ✓ External reporting, regulatory requirements and compliance
- ✓ Visibility and volatility of share price
- ✓ Liquidity of share dealing for smaller companies

# Flotation Criteria and Pre-Float Issues

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## Key characteristics of a potential float candidate

- ✓ Looking to expand
- ✓ In a changing sector
- ✓ Proven management team
- ✓ Consolidation opportunities in industry

## Pre-Float issues

- ✓ Rationale for float
- ✓ Funds to be raised / equity released
- ✓ AIM versus Official List
- ✓ Valuation parameters
- ✓ Review of Board (compliance with the Combined Code)
- ✓ Appointment of Advisers
- ✓ Accounting standards and issues
- ✓ Timing of float

# Valuation Methods

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Method and characteristics: it is important to establish the amount a company needs to raise and how it plans to use these funds

- ✓ Discounted cash flow
  - All cash flows and costs of float
- ✓ P/E ratio
  - Recent transaction multiples
  - Comparable quoted companies
- ✓ Revenue Ratios
- ✓ Net Assets
  - Sector specific e.g insurance, property
  - No relation to cash generation
- ✓ Industry measure
  - Specific to trade / sector

# AIM versus Official List

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## OFFICIAL LIST

## AIM

### LISTING OBLIGATIONS

Normally three year trading record is required

No trading record is required

Pre-vetting of admission documents by the UKLA

Admissions documents are not approved by the Exchange or the UKLA

No tax advantages for investors

Companies listed on AIM are treated as unquoted for tax purposes

### CONTINUING OBLIGATIONS

Minimum of 25% of shares must be held in public hands

Shareholder approval only required for reverse takeovers

Prior shareholder approval required for class 1 acquisitions and disposals

No minimum to be held in public hands

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# Choosing your Advisers

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## Advisers required

- ✓ Nominated Broker (as an Appointed Rep of Midas Investment Management Ltd)
- ✓ Reporting Accountant
- ✓ Lawyers to the Company
- ✓ Lawyers to the issue
- ✓ Financial PR
- ✓ Receiving Agent and Registrars

—————→ **Capital Partners Securities**

# Financial Adviser and Broker

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## ROLE OF NOMINATED ADVISER / NOMAD

### The nominated adviser will advise on:

- ✓ Valuation (with Broker)
- ✓ Pre-float issues (e.g. Board formation)
- ✓ Market and timing
- ✓ Selection of other advisers
- ✓ Preparation of the prospectus
- ✓ Project management of the process and advisers

### What you should be looking for:

- ✓ Experience, knowledge, expertise
- ✓ Which personnel will be doing the work?
- ✓ Can you rely on them to deliver (and consider alternatives)?
- ✓ Contacts with regulatory organisations

## ROLE OF BROKER

### The broker will advise on:

- ✓ How to raise the money from the investing community
- ✓ Marketing strategy to investors
- ✓ Valuation
- ✓ Provide a meeting list of institutions and other investors to present to

### What you should be looking for:

- ✓ Adequate research (external or internal)
- ✓ A salesman who can sell the story
- ✓ Contacts with key investors both retail and institutional

# Reporting Accountant and Solicitors

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## ROLE OF REPORTING ACCOUNTANT

### Reporting Accountant will prepare:

- ✓ The Long Form Report (financial due diligence)
- ✓ The Short Form Report
- ✓ Working capital adequacy
- ✓ Profit forecast, if applicable
- ✓ Specialist tax advice

### What you should be looking for:

- ✓ An understanding of your business and the issues facing it
- ✓ Experience of public company circular work
- ✓ Tax expertise

## ROLE OF SOLICITORS

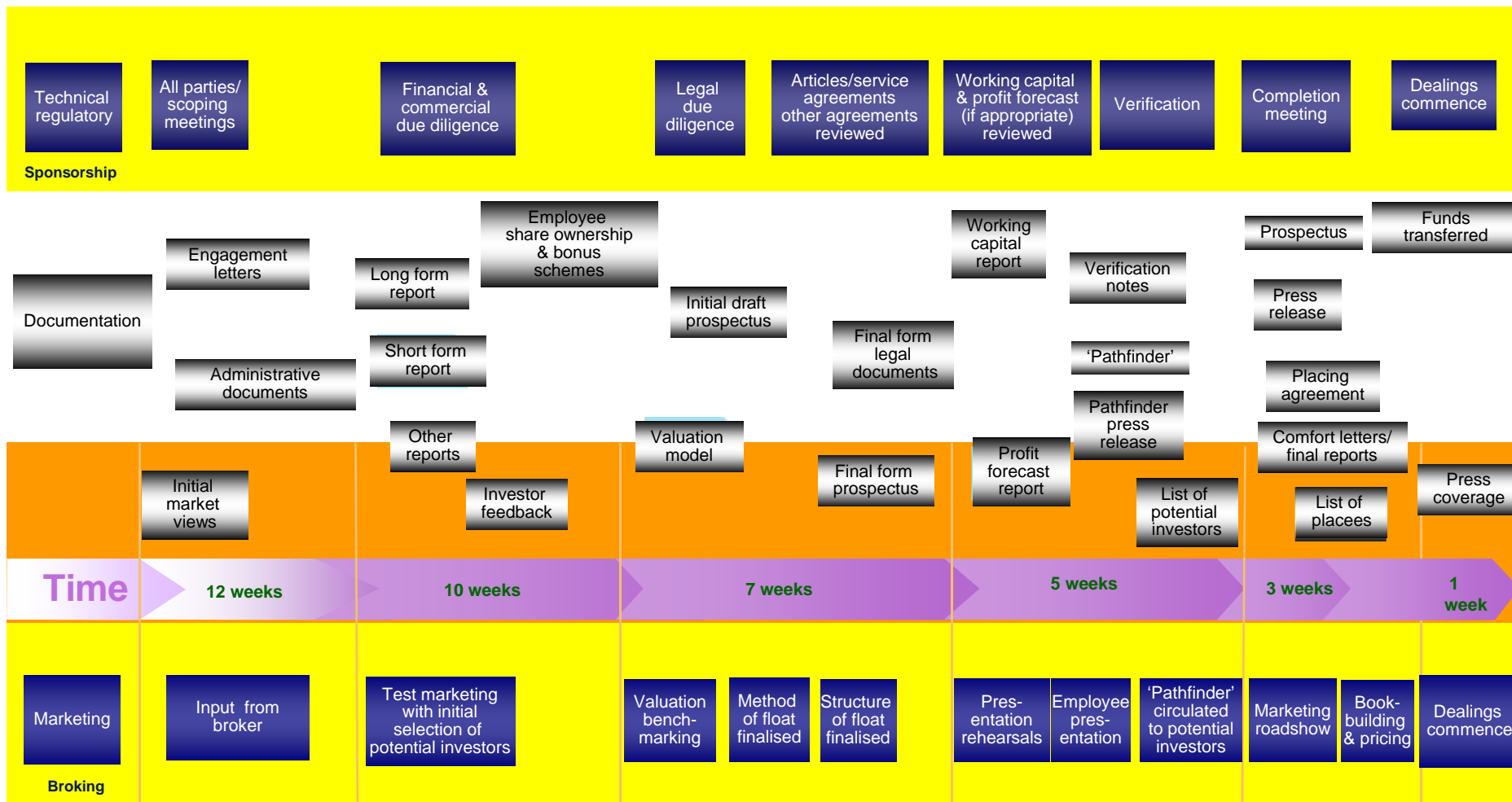
### Solicitors will advise on:

- ✓ Drafting and verification of prospectus document
- ✓ Directors' responsibilities
- ✓ Review company' legal and internal and external contractual arrangements (legal due diligence)
- ✓ Advise on the underwriting/placing agreement

### What you should be looking for:

- ✓ Experience and knowledge of the process and breadth to cover your business

# Steps in the Flotation Process / Timetable



# Steps in the Flotation Process / Timetable

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## AIM TIMETABLE

KEY DATES	
Date	Priority
[Week 1]	Front end and response to legal due diligence memorandum
[Week 2]	Initial drafts of all documentation
[Week 3]	Completion of accountants' report and legal due diligence memorandum
[Week 4]	General progress
[Week 5]	Start of verification
[Week 6]	Verification
[Week 7-8]	Placing Proof
[Week 9-10]	Marketing and impact day
[Week 11]	Payment of subscription moneys
[Week 12]	Admission to AIM and commencement of dealings

# Sample Costs involved in a Flotation

## Traditional Transaction Fees

£'000

✓ Nomad	200 (although it needs to be negotiated)
✓ Broker	4-6% of funds raised (depending on amount raised)
✓ Reporting Accountant	60
✓ Lawyer to the Company	50
✓ Lawyer to the Issue	20
✓ Financial PR	20
✓ Printer	15
✓ Registrar	10
✓ Other Fees	<u>20</u>
<b>TOTAL (assuming 3 months)</b>	<b>400 (plus fundraising costs)</b>

## Traditional Ongoing Fees

✓ Nomad / Broker	20-25k p.a.
✓ Independent Research	10-30k p.a.

**Capital Partners Securities is prepared to offer a more affordable and highly competitive priced proposal in comparison with our competitors**

# Responsibilities after Flotation

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## Company

- ✓ Corporate governance
- ✓ General financial PR
- ✓ Regular reporting
- ✓ Regular communication to shareholders and potential shareholders

## Nominated Adviser

- ✓ Compliance with statutory requirements and corporate governance
- ✓ Make announcements on RIS
- ✓ Reviewing annual reports and other financial information
- ✓ Reviewing class tests etc

## Broker

- ✓ Ensuring communication with shareholders and potential investors
- ✓ Ensuring adequate levels of research (independent / in-house)
- ✓ Maintain a liquid market (with market makers)
- ✓ Further fund raisings

# Contact Us

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Please find below our main contact details:

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# Appendix: Why Listing in AIM?

# Why should Foreign Co's consider AIM?

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- ✓ In 2003 United Heavy Machinery, or OMZ, Russia's largest manufacturer of engineering and exploration equipment, decided to go public
- ✓ The company did not want to make all of the disclosures required for a full London listing, such as statements about cash reserves and the terms of the directors' contracts with the company which the NYSE requires
- ✓ AIM meets the needs of small and growing companies, such as OMZ, which are cheaper and far less onerous than those for main markets like the NYSE and Nasdaq



**London's AIM offers companies new to Western markets a 'stepping stone' which New York does not offer**

**Source: FT**

# What is AIM?

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- ✓ In the past decade London developed the Alternative Investment Market (AIM)
- ✓ The London Stock Exchange (LSE) founded AIM, a STM (Second Tier Market) in 1995, at the beginning of the technology wave, in order to help start-ups raise cash
- ✓ AIM has boomed in the last four years, by picking up dozens of orphan companies from Frankfurt's technology-focused market, the Neuer Markt
- ✓ At the start of 2000, 350 companies traded on AIM; currently there are 952 of which 100 are international companies
- ✓ Since its launch in June 1995, companies on AIM have raised a total of £13.3 billion. The total market capitalisation of AIM at the end of September 2004 was £25.5 billion
- ✓ During 2004, approximately 44 international companies joined AIM raising a total of £301 million; excluding the UK, fourteen countries are now represented on AIM across 20 sectors and 28 sub-sectors

**Source: LSE, AIM**

# AIM Statistics

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## As at Sept 2004:

- ✓ There were 952 companies trading on AIM
- ✓ A total market capitalisation of £25.5 billion
- ✓ £13.3 billion pounds of new money raised
- ✓ 91 transfers to the official list in the London Stock Exchange (2003)
- ✓ 130 transfers from the official list in the London Stock Exchange (2003)
- ✓ Approximately 30 market makers actively trading in AIM shares
- ✓ Average issue cost was £480,000 including the cost of fundraising
- ✓ More than 100 international companies listed in AIM from 14 countries

**Source: Baker Tilly & LSE**

# AIM Statistics (continued)

Comparison of markets	AIM		MAIN MARKET	
	2001	2002	2001	2002
Number of new companies	177	160	113	59
Number of companies	629	704	1,809	1,701
Foreign companies	42	50	453	419
Average market capitalisation	£18.5m	£14.6m	£842.2m	£674.8m
Money raised by new companies admitted	£593.1m	£490.1m	£6921.7m	£5081.9m
Average funds on IPOs	£4m	£5.6m	£75.5m	£123.8m
Average funds of further issue	£88m	£89m	£8.5m	£7m

Source: Baker Tilly

# AIM surpasses Nasdaq

**From July 2004 to July 2005, 94 foreign companies chose to list in AIM (taking the total to 166). By contrast, there were only 23 IPOs in Nasdaq last year, and only 11 in the seven months to July 2005.**

	<u>AIM</u>	<u>NASDAQ</u>
Total number of listed companies (Jul 2005)	1.268	3.111
- international listings	166	n.a.
IPOs from Jan – Jul 2005	320	60
- international listings	58	11
IPOs in 2004	355	148
- international listings	61	25
Estimated costs (in % of funds raised)	4.5 - 5	6 – 8

Source: AIM, LSE, NASDAQ, Financial Times

# LSE also gains Listings at NYSE's Expense

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**Case:** Benfield Group Plc, (World's largest reinsurance brokerage firm)



Due to **Sarbanes-Oxley**, the U.S. corporate governance law passed in 2002, which requires senior executives to certify the accuracy of all financial statements, Benfield would have had to spend heavily on lawyers and consultants to help the company comply with a NYSE listing



**Benfield changed course and on June 2003 the company floated its shares on the London Stock Exchange instead of listing on NYSE**

**Source: Norton Rose**

# Others Cases

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**Other important situations where the company decided to list in the LSE/AIM rather than in the US for similar reasons:**

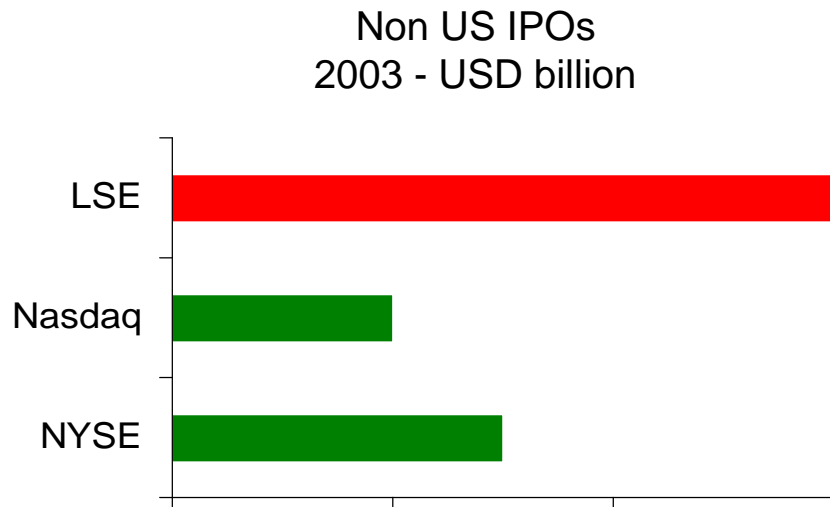
- ✓ Lukoil, Russia's largest oil producer
- ✓ Germany's Dr. Ing. h.c. F. Porsche AG
- ✓ Japan's Daiwa Securities Group Inc.
- ✓ UK Cambridge Silicon Radio, a maker of wireless communication chips
- ✓ Edinburgh-based Wolfson Microelectronics plc., which makes semiconductors for Dell Inc. computers and Apple Computer

**... Additionally, one of China's largest infrastructure conglomerates, announced plans to list on the LSE, with hopes of raising close to \$3 billion.**

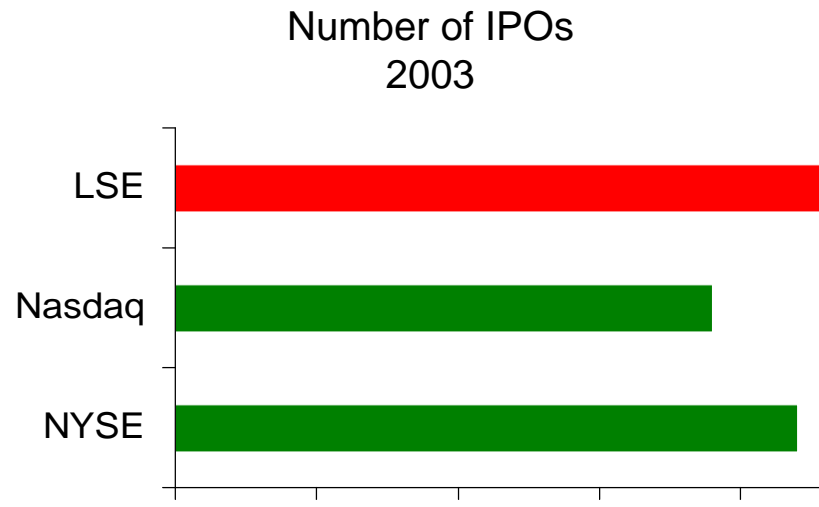
Source: Norton Rose

# In 2003, the LSE surpassed Nasdaq & NYSE

Statistics confirm the increase of UK listings versus the US



Source: FT



Source: PricewaterhouseCoopers

# Costs – LSE & AIM vs NYSE & Nasdaq

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A summary of the three main IPO costs shown below helps to understand the trend change and latest statistics

✓ Compliance Costs:

a company with \$5 billion in annual revenues will pay an average of \$4.7 million in the UK vs \$6.2 million in the US

✓ Listing Costs:

a company with a \$400 million market capitalization will pay \$10,000 annually on the LSE, versus \$21,000 on Nasdaq and \$35,000 on the NYSE

✓ Costs of Directors and Liabilities Insurance:

went up 29% in 2002 and an additional 33% in 2003 in the US in comparison to the UK



**All three main different costs are currently higher for NYSE & Nasdaq**

Source: FT, Allen & Overy

# European STMs suffered most, but London's AIM survived

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- ✓ [The Neuer Market:](#) it had been the largest of several European markets, promoted as a market specialising in hi-tech companies but in June 2003 it closed
- ✓ [The Euro NM:](#) closed in October 2000 following the merger of the Paris, Brussels and Amsterdam exchanges
- ✓ [NASDAQ Europe:](#) held its final trading session on November 2003, with 60 quoted companies in 2001, its total had slid to just 38 when the closure announcement was made in June 2003

Source: FT

# ... And Why Most Other SMT failed?

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There are several explanations for the failure of the Neuer Markt and the wider lack of success for STMs in mainland Europe:

- ✓ **Lack of development of information services, equity dealing infrastructures and aggressive investment banking:** resulted in a lower ratio of equity market capitalisation to GDP in mainland Europe than in the US and the UK
- ✓ **STMs were run by the same managers as the primary markets:** these managers specialised and marketed the primary market and larger companies
- ✓ **Unbalance:** narrow base of market sectors
- ✓ **Diversity:** no single language, regulatory standard, accounting regime, taxation policy and, prior to the introduction of the euro, no single currency
- ✓ **Isolation of these markets:** created a combination of low liquidity, fewer companies taken to the market and fewer investors
- ✓ **Cross-border cultural diversity:** also affected the success of continental STMs

Source: Allen & Overy

# Why AIM is Different?

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- ✓ AIM was originally created as a smaller companies market and now represents a third of all British quoted companies
- ✓ 952 companies currently trade on AIM with a total market capitalisation of over £25.5 billion
- ✓ Individual market capitalisations range from less than £2 million to more than £550 million
- ✓ 103 companies are overseas companies, which have a combined market capitalisation in excess of £1.2 billion
- ✓ AIM membership is available to companies from all sectors and from all over the world: there are no restrictions on the size of the company or its specific activities

**Source: The European Lawyer**

# Why AIM is Different? (continued)

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- ✓ There are no restrictions on the number of shareholders and no required trading track record
- ✓ London's tradition as an international market have shielded AIM from the crashing indices of the other technology-weighted STMs
- ✓ To attract international companies, in May 2003 the LSE introduced a new fast-track admission route to AIM for companies with quotations on certain other recognised exchanges
- ✓ Companies already listed on nine overseas exchanges will now be able to use their existing annual report and accounts as a basis for a complementary quotation on AIM

**Source: The European Lawyer**

# Why AIM is Different? (continued)

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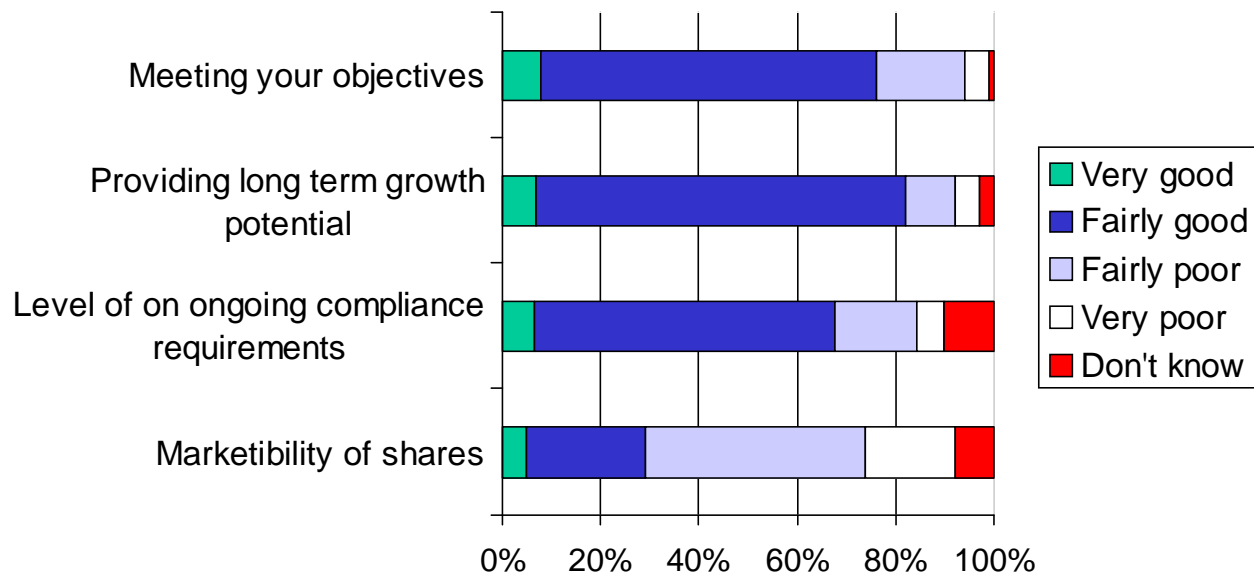
- ✓ With more companies than all the other European STMs, AIM has the largest capitalisation of all of them and accounts for 40 per cent of all IPOs in the EU
- ✓ Institutional investors now account for 2/3 of investors in AIM
- ✓ The tax benefits accorded to investors on AIM have resulted in a higher proportion of private investors taking long-term views on their shareholdings
- ✓ Additionally the nominated adviser (NOMAD) system has helped preserve the quality of AIM applicants and provides ongoing supervision
- ✓ AIM also allows to make further share issues and make significant acquisitions and disposals without the need for the costly public documentation required on the main market

**Source: The European Lawyer**

# Why AIM is Different? (continued)

A survey performed by Baker Tilly, the accounting firm, found that the experience of being on AIM was reported positively:

- ✓ Over three quarters of all respondents (78%) said that being on AIM has given a City profile to their organisation, a similar proportion said that it had provided access to institutions (77%), added to their company's credibility and provided them with long term growth potential
- ✓ Although the findings have found that, for most, AIM is an attractive option, just under two thirds (61%) feel that the obligations of being listed on AIM are either 'very' or 'fairly' onerous



Source: Baker Tilly